

Affordable Housing Siting Opportunities in Minneapolis

October 2008

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With assistance from Joel Larson

*A project of
Neighborhood Projects for Community Revitalization
At the
Center for Urban and Regional Affairs (CURA)
University of Minnesota*

NPCR is coordinated by the Center for Urban and Regional Affairs (CURA) at the University of Minnesota. NPCR is supported by the McKnight Foundation.

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Background:

The City of Minneapolis has policies related to concentration of poverty in terms of allocation of Low-Income Housing Tax Credits (LIHTC). While federal policies provide LIHTC favorability for projects to be located in Qualified Census Tracts (QCT), the City policies encourage development outside of areas of concentrated poverty. The City refers to census tracts that meet its definition of concentrated poverty as “Impacted Areas”.

In terms of City policies, proposed affordable housing projects seeking City funds must meet the test of their location in or out of the impacted areas. Projects outside of the impacted areas receive preference in the allocation of public funds. This policy is facially intended to deconcentrate poverty in the central city by encouraging development of affordable housing outside of concentrated areas. (The impacted area policy can be found in Minneapolis City Council Resolution 99R-312).

The common understanding of the City policy is that the census tracts considered “impacted” are those that meet the definition of concentrated poverty and race under the Hollman Decree. The lawsuit gives two definitions of “Impacted Areas” as such:

- Tracts with a minority population greater than 28.69%
- Tracts with a population at or below poverty wages of at least 33.5%

When the census tracts meeting the definitions above as of the 2000 Census were mapped, the census tracts that would be “impacted” included tracts mostly in the central city, but also in the far north of the city and scattered throughout the southern portion of the City. To simplify this analysis, we created a map to mimic the impacted area map provided by the City in its Affordable Housing Trust Fund (AHTF) application materials.

Project Purpose:

The Metropolitan Consortium of Community Developers (MCCD) is based in Minneapolis and follows the mission “to work collectively to build strong stable communities by leveraging resources for the development of people and places.” MCCD identified an interest among its members to analyze property level data in the context of the City of Minneapolis policy to identify opportunities for affordable housing

development in non-impacted areas. MCCD therefore commissioned this study through the Center for Urban and Regional Affairs (CURA).

Purpose of the Project:

The three main goals of this project are as follows:

- To identify land for potential development or redevelopment of affordable housing in non-impacted areas
- To develop scoring criteria for multi-family development and use GIS to map opportunities spatially
- To analyze the intersection of policies related to development and availability of potential sites

Methodology:

In order to create graphic representations of potential land development opportunities for multi-family housing in Minneapolis, the following steps were undertaken to determine a scoring system for individual parcels of land in Minneapolis:

1. A working group of affordable housing professionals, who are members of MCCD, worked with the researcher to determine potential scoring criteria for the parcels.
2. The parcel data was cut and overlaid with additional data in database format in order to assign scores to each parcel.
3. Parcels were mapped in GIS by their scores to show a representation of potential areas of redevelopment opportunities based on the project results.

Parcel Data:

The building block of this project is parcel level data obtained from the Hennepin County Assessor for tax parcels in the county, applicable as of January 1, 2007. The data was broken out by city to include only those parcels in Minneapolis, of which there are over 122,000. For each parcel, the county collects and estimates the property market value by land and buildings, the lot sizes and dimensions, and the current land use (by category). The city then collects information on the zoning and planning designations applicable to the parcel and the building condition, which is based on a sight evaluation and is a rating system.

Many tax parcels in Minneapolis are undevelopable parcels such as small, irregular lots bounded by public uses (roads) or right-of-ways for roads and utilities. In order to try to capture and remove some of these parcels, we cut all parcels with either lot dimension less than 40 feet. We chose this arbitrary 40-foot minimum for lot width and length because 40 feet is a typical width of a single-family home lot and multi-family affordable housing cannot be achieved on any lot smaller than what would be appropriate for a

single-family development. We also cut all properties that fell within a flood zone, as affordable housing developers would not be interested in building in a flood zone area.

In addition to parcel data, CURA had developed files showing the location of transit stops, the location of elementary schools and overlays of Minneapolis neighborhoods. We overlaid these files with the parcel data to increase the potential factors of review.

Beyond the baseline data availability, it is also possible to review each parcel using combinations of factors and overlay files to determine ratios, proximities, limits and relationships of factors.

The parcel data baseline is very limited and presents a multitude of problems for scoring property for its value in the affordable housing development field. First of all, the assessor data has no relationship to the market for land. The properties used in this study are not necessarily available for sale and assessor values may not reflect the market sale price of a property for redevelopment purposes. The parcel data also misses the possibility of potential areas of redevelopment because it does not capture adjacency. Therefore, there may be multiple properties of smaller size that individually do not represent good opportunities for affordable housing development but that as a whole would be development opportunities. The building condition data provided by the city is known to be unreliable in that it is taken by windshield survey and scores are updated within the previous 8 years with no indication of the validity date for each score. We also have no information on whether parcels being rated are already being used as affordable apartments. It follows common sense that a property that is used for affordable housing is likely to score well in terms of rating factors for the potential for affordable housing and will not be counted out. Finally, we have no information on whether property is in an overall undesirable location in terms of market, amenities or aesthetics.

MCCD Working Group Criteria – Scoring

In order to meet the primary goal of identifying opportunities for affordable housing development, MCCD established a working group of affordable housing development professionals to identify quantitative measures derivable from parcel data and available GIS files. The hope is that with the criteria, the measures of developability can be scored and ranked.

The working group identified 9 measures of developability and assigned a maximum score of 5 points for each criterion. The maximum total points a parcel can receive are therefore 45 points.

Following are the criteria as identified and their weighted scores.

Zoning:

The zoning of a particular property is an important consideration for affordable housing developers. If appropriate zoning is in place, developers will face fewer obstacles in siting and permitting a property for development. Zoning also is intended to follow comprehensive planning, which should be based on forward-thinking planning for the future of an area's development. If zoning and planning indicate the desire for higher density housing, the area is likely to have the amenities and infrastructure in place or planned to support that type of development. Wherever a zoning change is necessary to permit the development of affordable housing, developers may face more stringent review and potential NIMBY behavior from the surrounding community.

For the zoning category scoring, the working group determined that the least likely zoning category for affordable housing development would be single family zones, where neighborhoods are resistant to increased density. The next most possible is industrial zones, where resistance from neighboring properties will be less because there are fewer residents nearby to be concerned. Industrial structure re-use has also been a trend lately in development and the City of Minneapolis zoning code allows residential uses in some industrial zones. Minneapolis also has numerous zones for business and mixed business uses that receive higher scores because they envision incorporating housing as an element of the zone. Finally, higher-density residential zones are already prepared for multi-family development and received the highest score because no zoning change would be required and the site is likely to be prepared in infrastructure and amenities for multi-family uses.

<u>Zoning Category</u>	<u>Score</u>
Single Family Zones	0
Industrial Zones	3
Low-Density Mixed Zones, Business and Community Zones	4
Medium to High Density Residential and High-Density Mixed Zones	5

Land Use

The current use of a parcel is instructive in its potential for redevelopment. Certain property uses are low uses of real estate and certain uses are high ordered uses that would be prohibitive to redevelopment.

Facilities and infrastructure are difficult to displace and are unlikely to be reused while parking lots, existing residential buildings and vacant land are highly likely to be sought after by affordable housing developers.

<u>Land Use</u>	<u>Score</u>
Utilities, Common Areas and Sports/Rec	0

Facilities	
Bars, Offices, Retail, Institutions, Public Accommodations, Misc. Commercial	2
Single Family Attached, Single Family Detached	3
Mixed Use, Industrial	4
Vehicle-Related Use, General Residential, Multi-family and Vacant	5

Assessor's Building Criteria

Parcel Size

For affordable housing developers seeking sites for multi-family development, the larger a parcel, the greater flexibility and economy can be achieved in a new development opportunity. The MCCD working group set the following breaks for scoring parcels in Minneapolis

<u>Parcel Size</u>	<u>Score</u>
Less than 5,000 sq. ft.	0
5,001 to 8,000 sq. ft.	1
8,001 to 15,000 sq. ft.	2
15,001 to 28,000 sq. ft.	3
28,001 to 43,559 sq. ft.	4
1 acre or greater	5

Proximity to Existing Multifamily

The proximity measure to other existing multifamily is intended to sort parcels by areas of land use. Multifamily housing developers are less likely to achieve approvals to build an apartment complex if no other higher-density housing exists in the neighborhood.

<u>Proximity to other Existing Multifamily</u>	<u>Score</u>
1 mile or more	0
1,321 feet to 1 mile	1
661 to 1,320 feet (1 or 2 average city blocks)	2
101 to 660 feet (same block)	3
31 to 100 feet (within a few parcels)	4
0 to 30 feet (adjacent of across alley)	5

Proximity to High-Frequency Transit

The MCCD working group also indicated a preference for housing sites where transit is readily available. Metro Transit designates some bus and rail lines as “high-frequency”, meaning they run every ten minutes or less. The scoring for transit reflects proximity to a transit stop on one of these lines. Twin Cities’ based Transit for Livable Communities uses the benchmark of ¼ mile as a walkable distance to transit.

<u>Proximity to High-Frequency Transit Stop</u>	<u>Score</u>
Greater than 2 miles	0
1 mile to 2 miles	1
¾ to 1 mile	2
½ to ¾ mile	3
¼ to ½ mile	4
Less than ¼ mile	5

Proximity to Elementary Schools

The working group also identified the availability of an elementary school as a factor in affordable housing siting. We used the same walkability benchmark for elementary school proximity as for transit.

<u>Proximity to Elementary School</u>	<u>Score</u>
Greater than 2 miles	0
1 mile to 2 miles	1
¾ to 1 mile	2
½ to ¾ mile	3
¼ to ½ mile	4
Less than ¼ mile	5

Land Value Ratio

The MCCD working group was interested in finding a scoring method to indicate whether existing structures were in good condition. The point being to find properties that are relatively low in value and would be easier to acquire for redevelopment or renovation. To accomplish this, we took the assessed value of the building as a ratio to the assessed value of the building on a parcel. The ratios were divided into quintiles and assigned scores based on their ranking in quintiles. High ratios received low scores because the property is relatively high value in comparison to the land cost. Low ratios received high scores. This category assigned additional points to vacant land because vacant parcels would have a ratio of building to land of 0 and would therefore earn 5 points.

Land Value Per Square Foot

As affordability of land is an important siting factor for affordable housing developers, we also analyzed the relative value of land in Minneapolis by square foot. For this scoring criterion, we measured the square foot value of all parcels in Minneapolis and assigned scores based on quintiles with the least expensive land per square foot receiving 5 points. The lowest quintile of land values were those that were \$26 or less per square foot while the highest cost \$57 per square foot or more.

Scoring Results

With the scores completed, we found that no properties received a score of 45, but some were very high with scores of 42 and 43. The top 10% of parcels in terms of scores had scores of 38 points or more. The top 20% of parcel scores were scores of 28 points or more.

Simply mapping the parcels by their total score as points yields an illegible map, so we determined multiple ways to sort and review the data as a concentration and as a sampling of scores. The attached exhibits show the geographic distribution of high scoring parcels in Minneapolis. As impacted areas are measured by census tract, where scores are represented as a concentration, the denominator is the total number of parcels in the census tract.

The overall spatial pattern for the total parcel scores shows a higher concentration of opportunities within the impacted areas than outside of the impacted areas. However, opportunities also exist along the southern end of the I 35W corridor and in areas of North and Northeast Minneapolis that are non-impacted.

Following the mapping by score, we also narrowed the project field to isolate potential factors. For instance, if a developer is seeking only vacant land, the opportunities for development are much more limited than for all parcels in Minneapolis.

Many of the spatial patterns of the property scores are representative of overall patterns of land value and urban planning in the City of Minneapolis. Exhibit ___ shows the location of parcels that are zoned for multifamily housing. If the property zoning follows comprehensive planning, then the City can be seen as directing development of multifamily housing to those areas. The properly zoned parcels mostly fall within the impacted areas, so there may be an inherent contradiction of City policy in terms of multifamily housing development in that zoning policies encourage development within the impacted areas while impacted area policies discourage it. Opportunities for development are lacking outside of the impacted areas partly because city policies do not support multifamily housing.

Conclusions

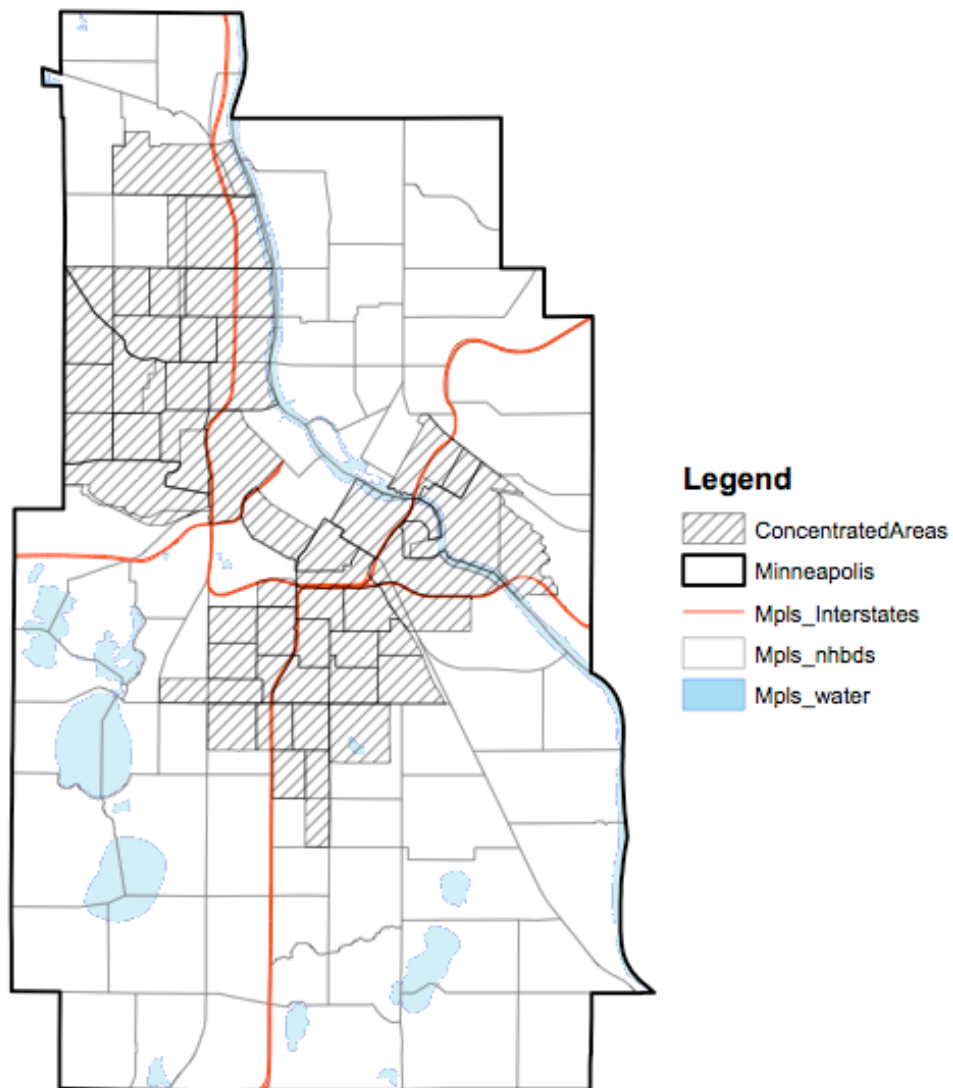
The attached maps show a strong relationship between parcels with a high possibility of development and the impacted areas. There are relatively few opportunities outside of the impacted areas. Those factors that make an area impacted under the Minneapolis policy correlate to factors that are desirable in terms of affordable housing development. The impacted areas fall within the central city, where zoning is generally in favor of higher uses, land is less expensive, and transit is more readily available.

One possible conclusion to the siting analysis is that the types of opportunities developers are looking for are those that inherently fall within the impacted areas where services and infrastructure are already in place to serve low-income and minority families. The attached maps regarding the zoning of land within Minneapolis help to identify one potential policy solution to the lack of opportunities within the impacted areas. The zoning policies could be aligned better with the impacted area policy to create more opportunities for multi-family growth outside of the central city.

Finally, this project offers the opportunity for further investigation of real estate development by affordable housing groups using quantitative measures. Each of the parcels scored corresponds to an address in the City of Minneapolis and it would be possible to take the highest scoring or those meeting certain criteria and review the sites for affordable housing developability.

The GIS database and corresponding maps and analysis are held at CURA and could act as a guide for additional research and review of this topic.

Hollman Decree Impacted Areas Minneapolis 2007



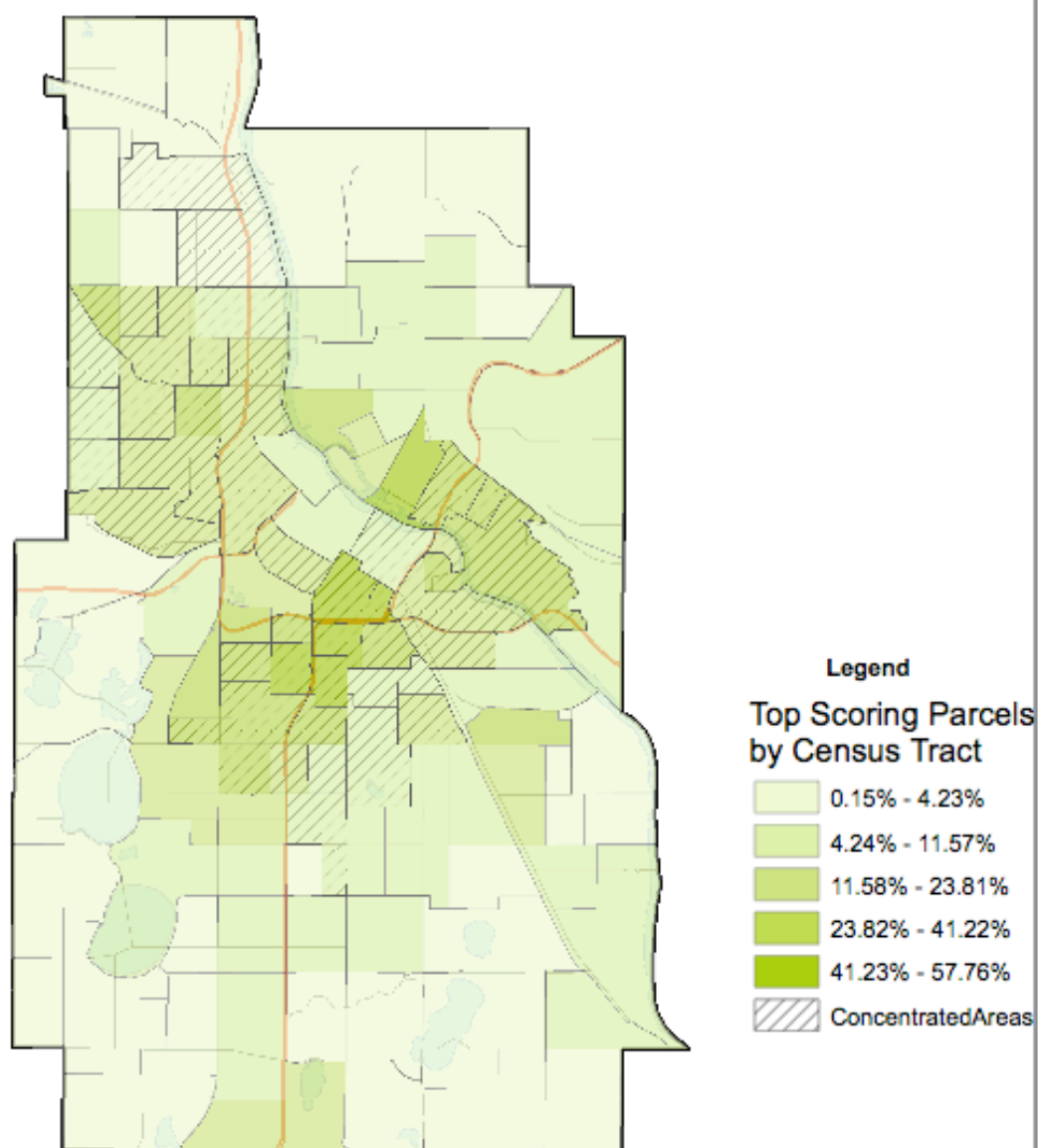
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Top Scoring Parcels as Percentage of Total Parcels in Census Tract Minneapolis 2007



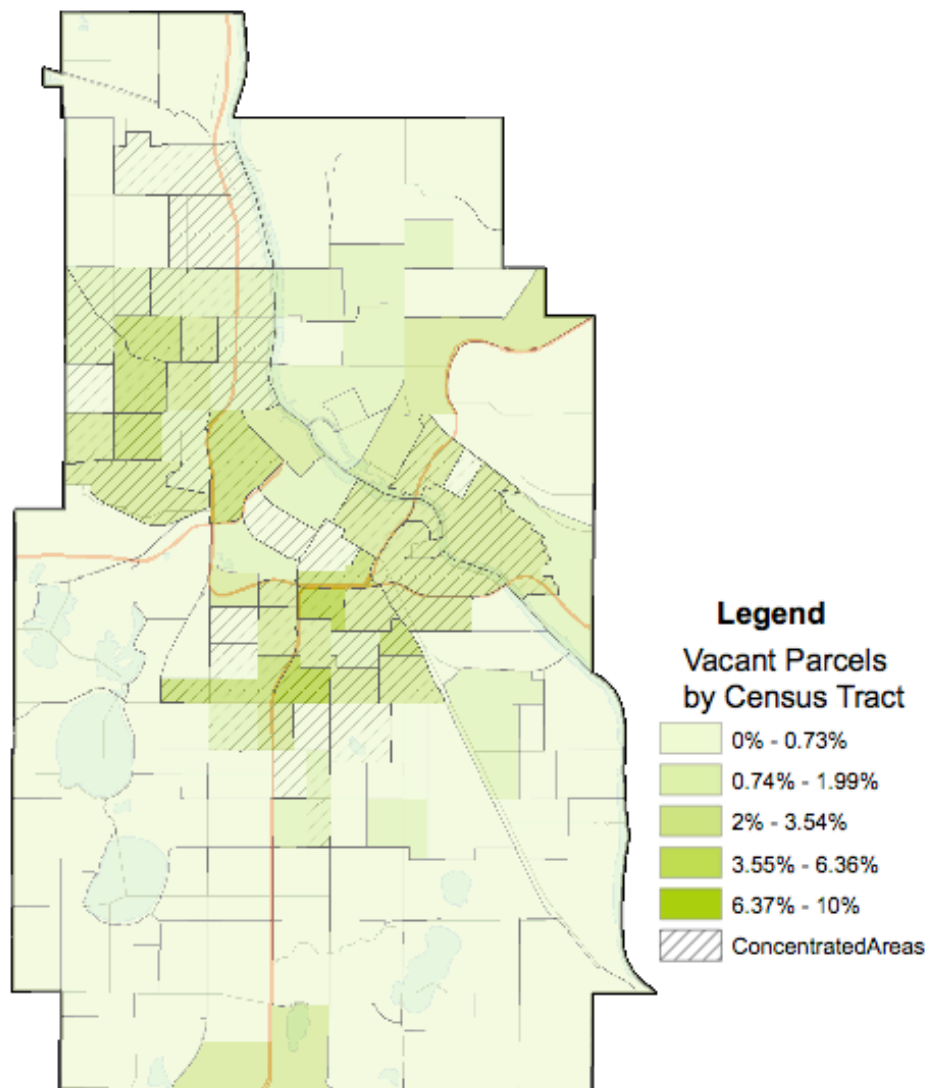
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Top Scoring Vacant Parcels as Percentage of Total Parcels in Census Tract Minneapolis 2007



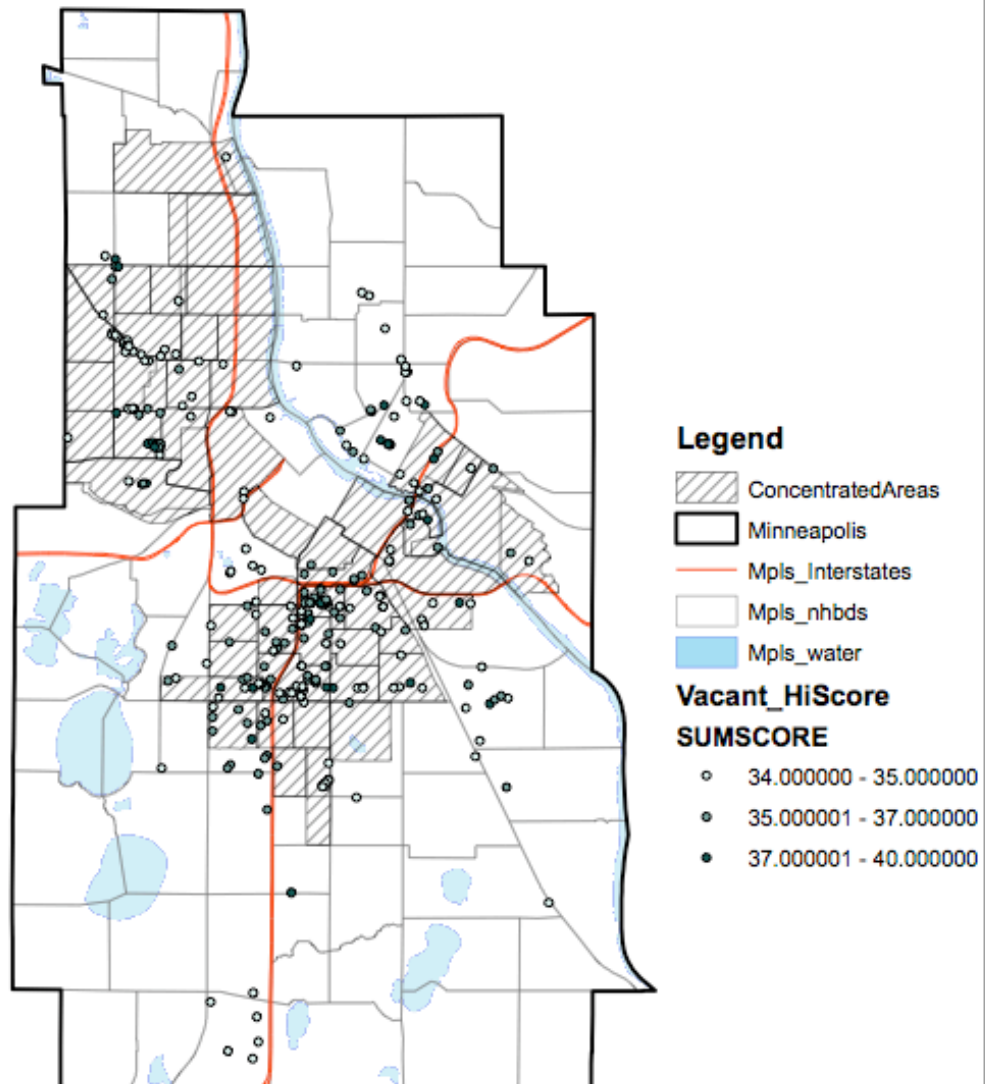
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Parcels Meeting Following Criteria:
Vacant land use
Score of 34 or higher



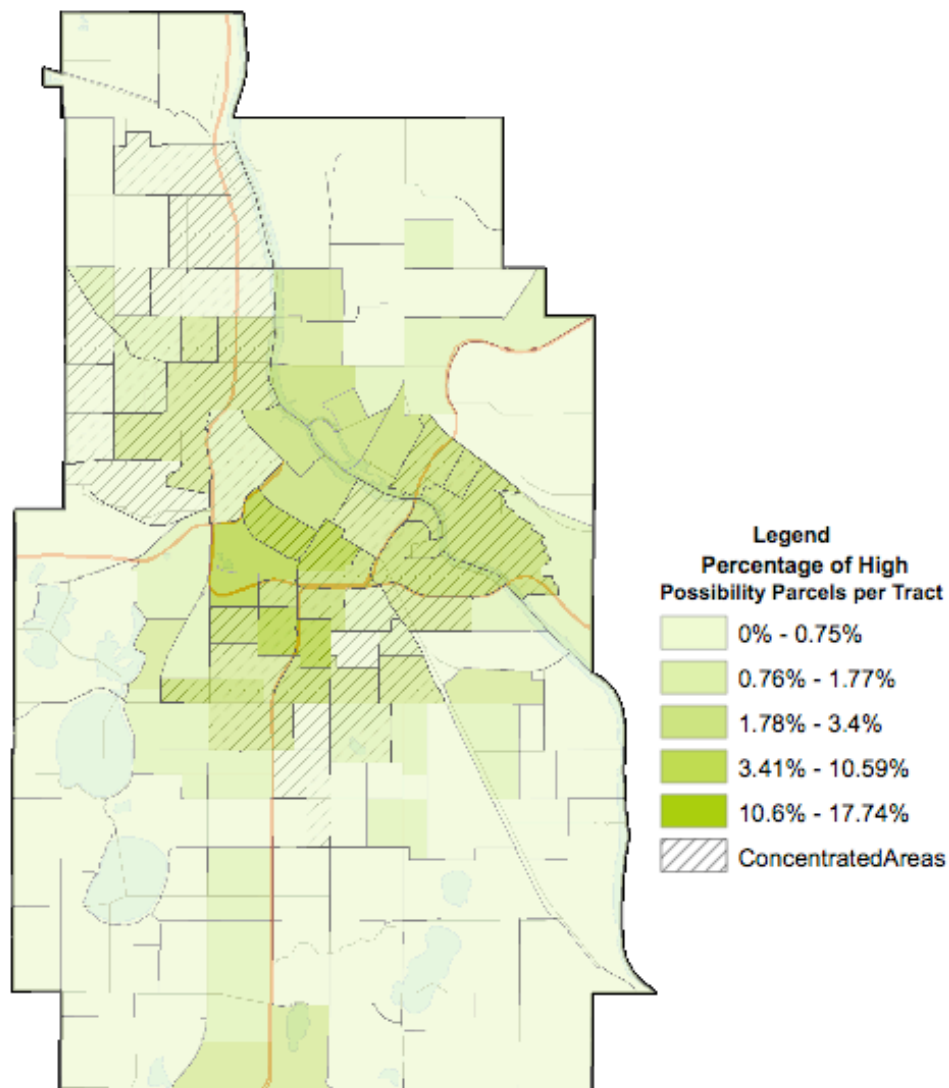
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"High Possibility" Parcels as Percentage of Total Parcels in Census Tract Minneapolis 2007



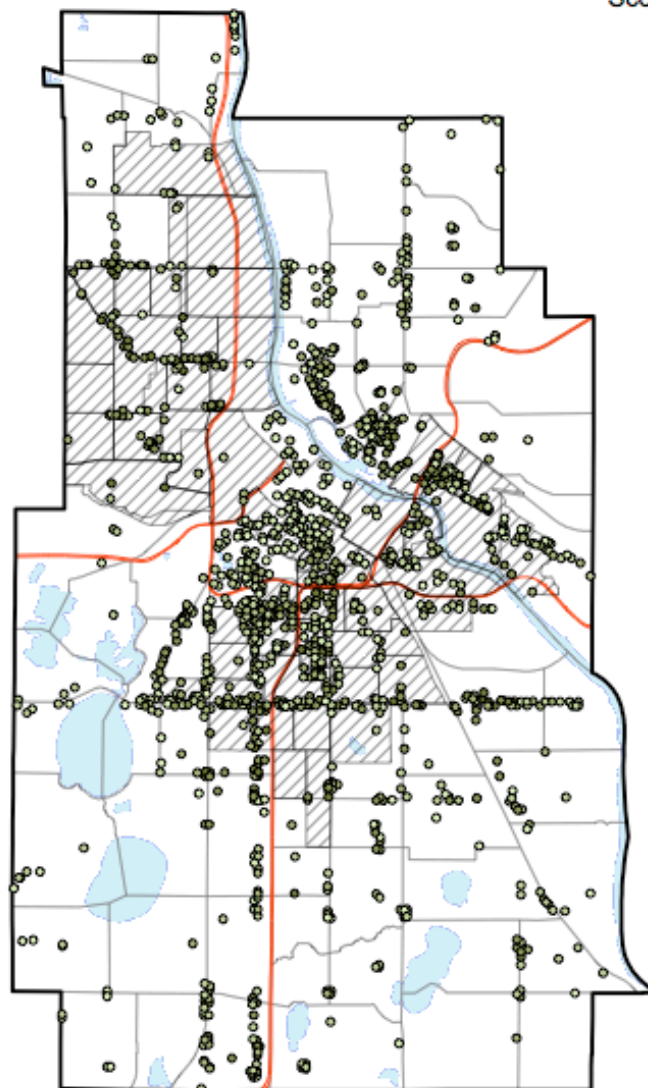
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
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Parcels Meeting Following Criteria:
 Zoned for multifamily
 Not currently a multifamily land use
 Lot size of 1/4 acre or more
 Score of 28 or more



Legend

-  ConcentratedAreas
-  Minneapolis
-  Mpls_Interstates
-  Mpls_nhbds
-  Mpls_water

HiPossibility SUMSCORE

- 28 - 30
- 31 - 33
- 34 - 36
- 37 - 39
- 40 - 45

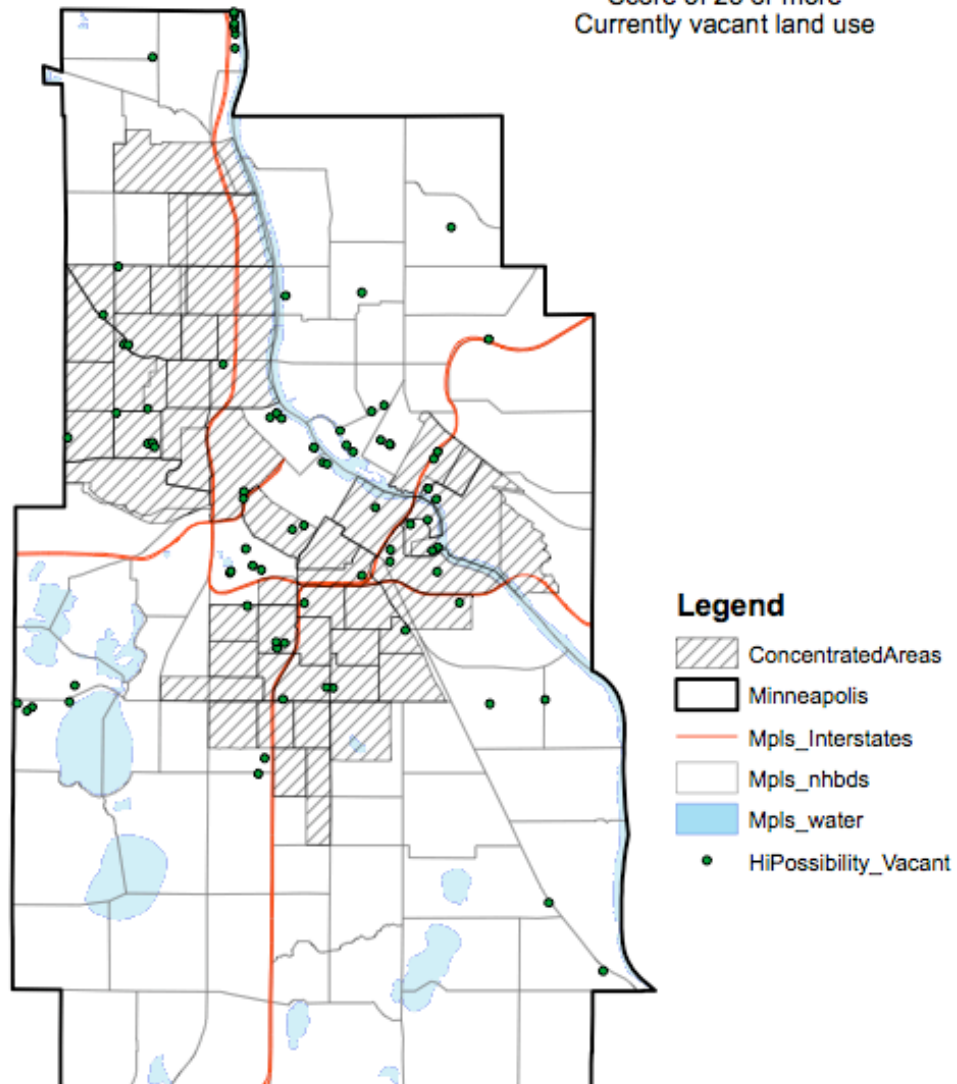
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Parcels Meeting Following Criteria:
Zoned for multifamily
Not currently a multifamily land use
Lot size of 1/4 acre or more
Score of 28 or more
Currently vacant land use



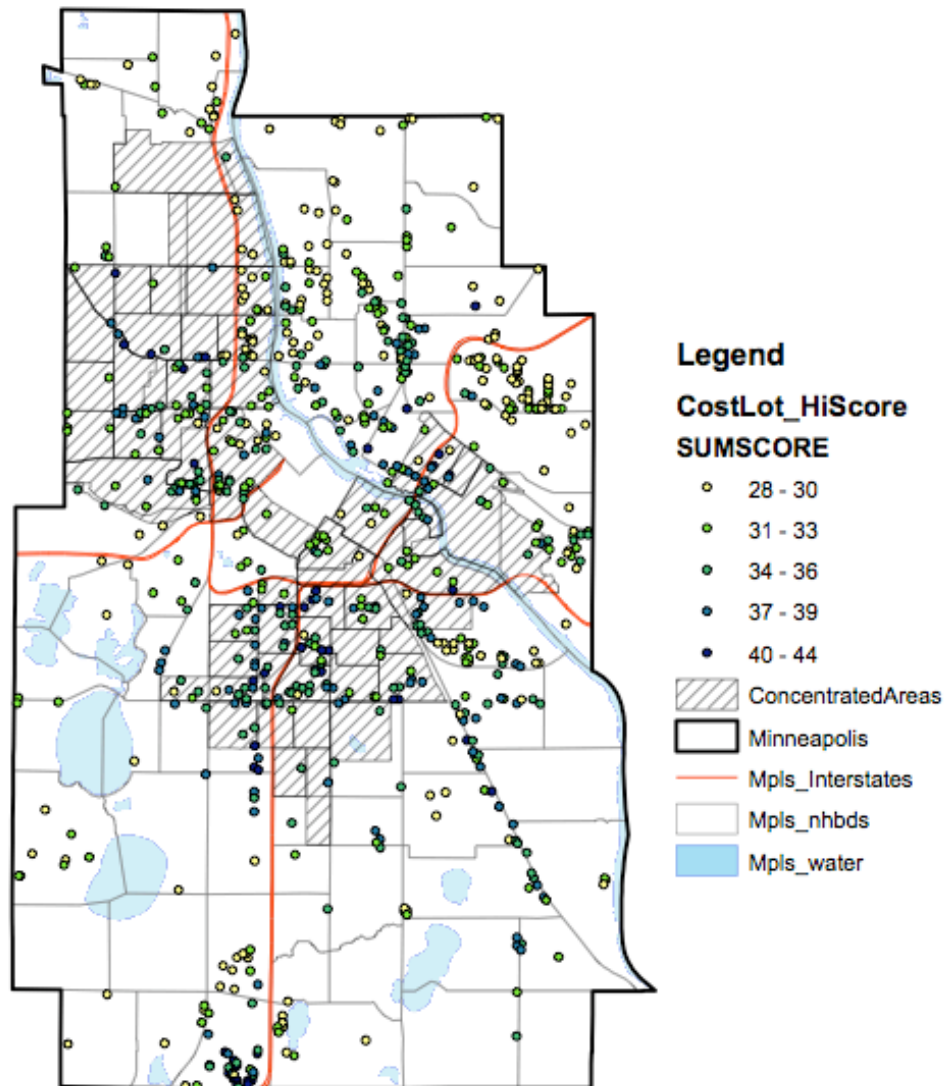
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Parcels Meeting Following Criteria:
 Lot size of 1/2 acre or more
 EMV of \$1million or less
 Total score of 28 or more



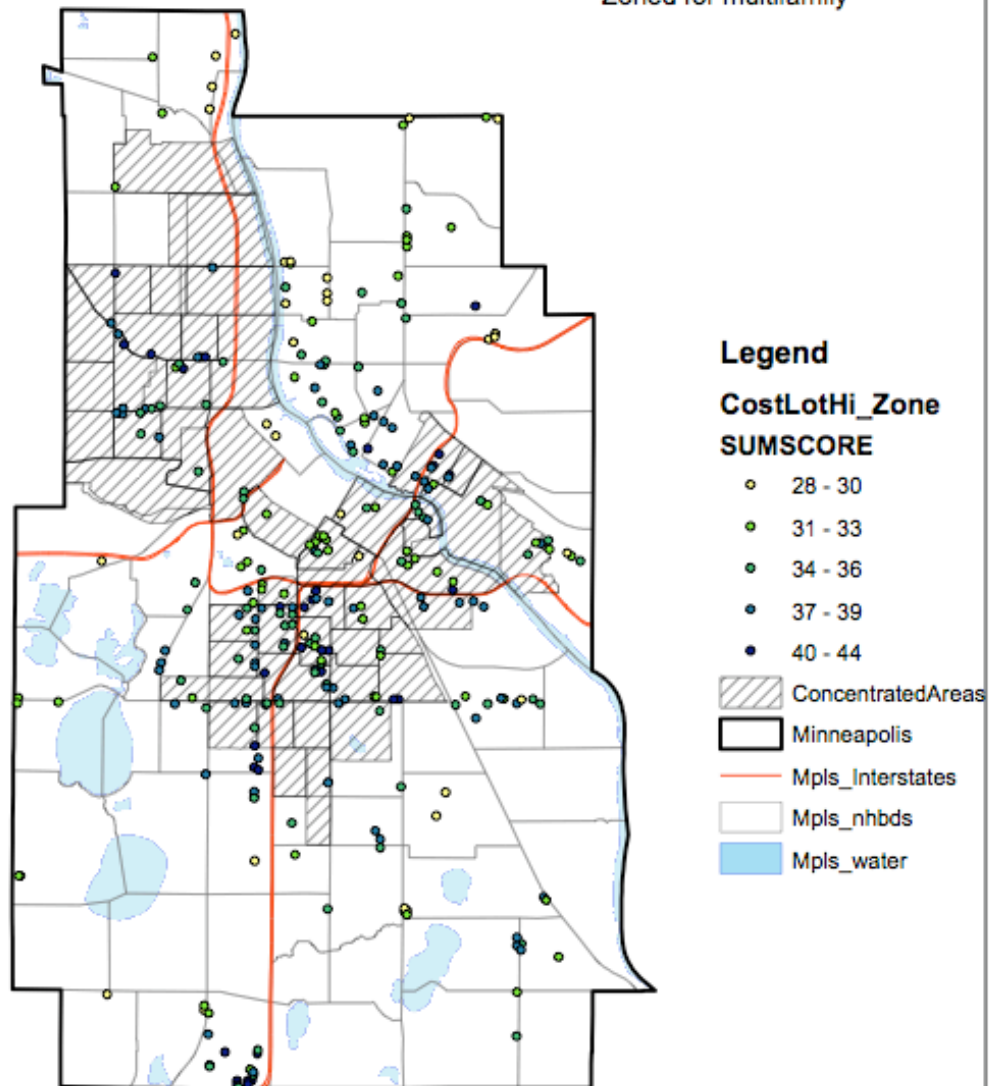
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Parcels Meeting Following Criteria:
 Lot size of 1/2 acre or more
 EMV of \$1million or less
 Total score of 28 or more
 Zoned for multifamily



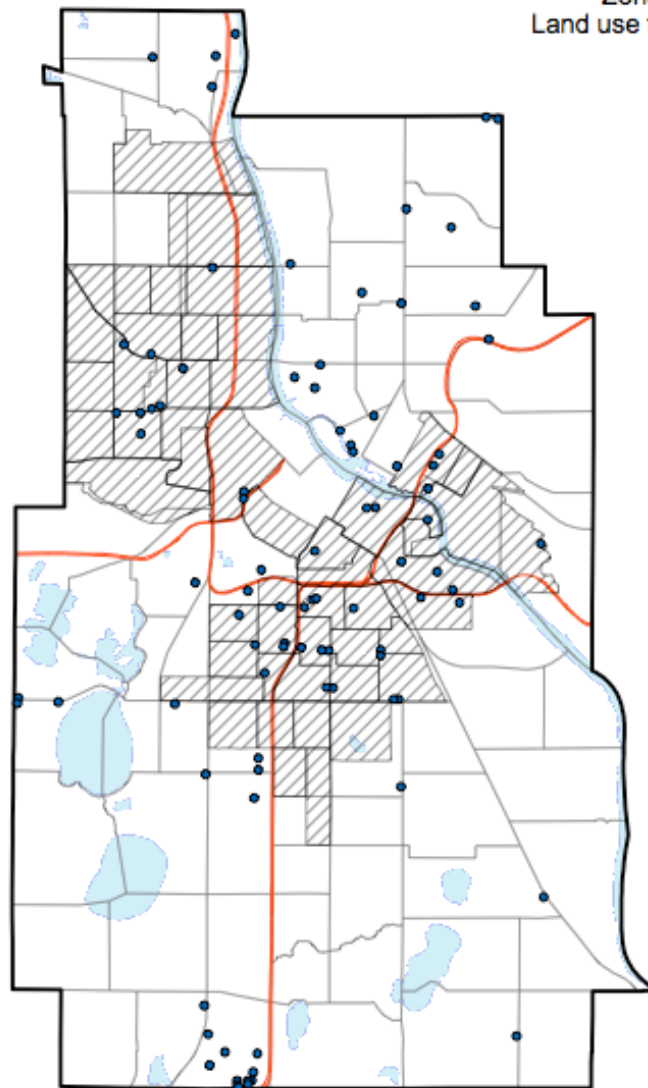
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Parcels Meeting Following Criteria:
Lot size of 1/2 acre or more
EMV of \$1million or less
Total score of 28 or more
Zoned for multifamily
Land use favorable to multifamily



Legend

- CostLotHiZone_Use
- ConcentratedAreas
- Minneapolis
- Mpls_Interstates
- Mpls_nhbds
- Mpls_water

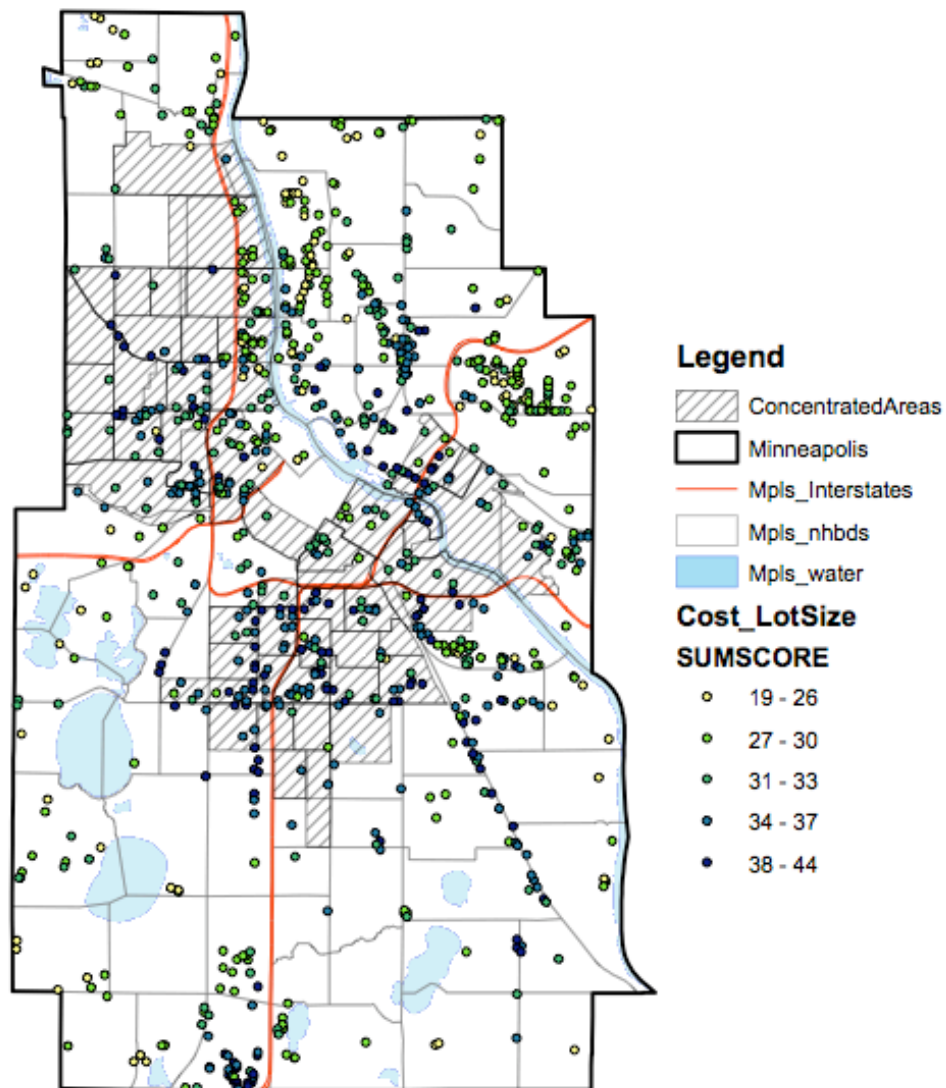
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Parcels Meeting Following Criteria:
Lot size of 1/2 acre or more
EMV of \$1million or less



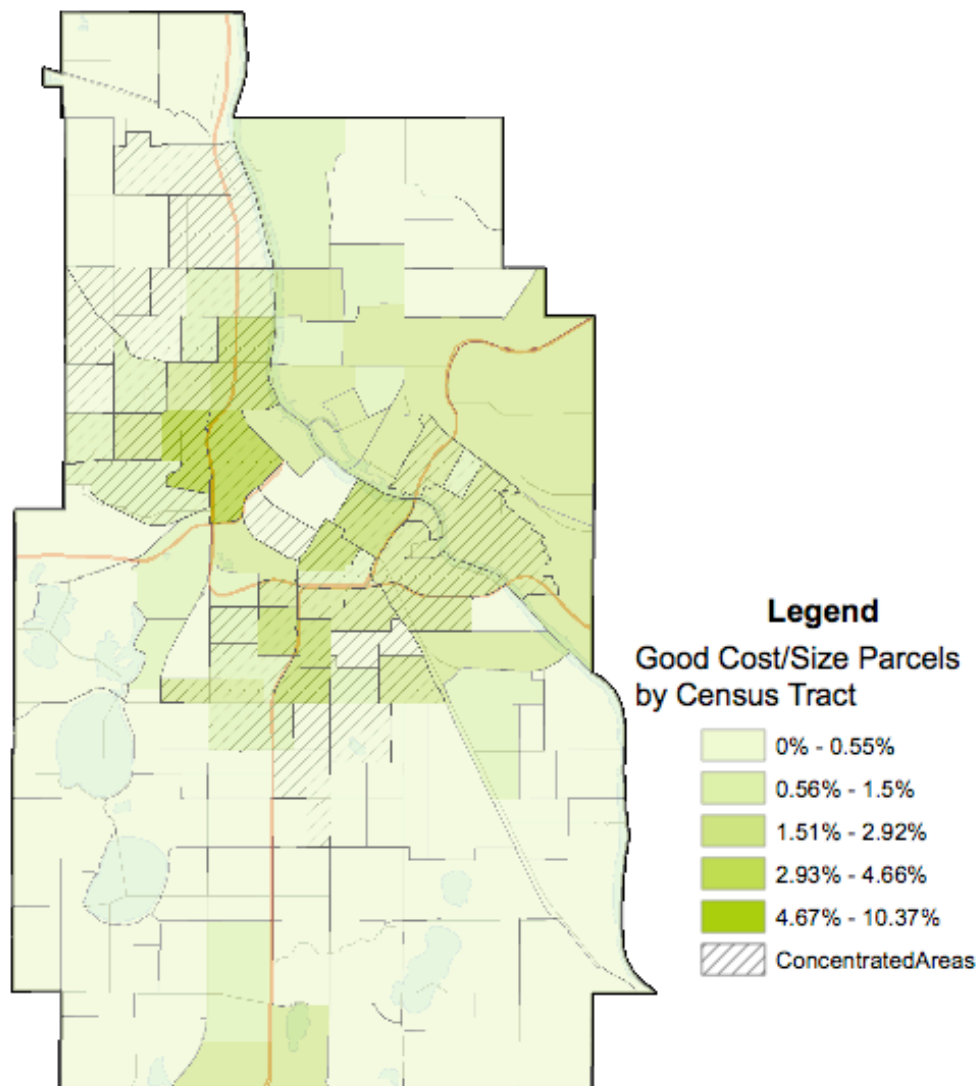
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Parcels of Appropriate Cost and Size as Percentage of Total Parcels in Census Tract
Minneapolis 2007



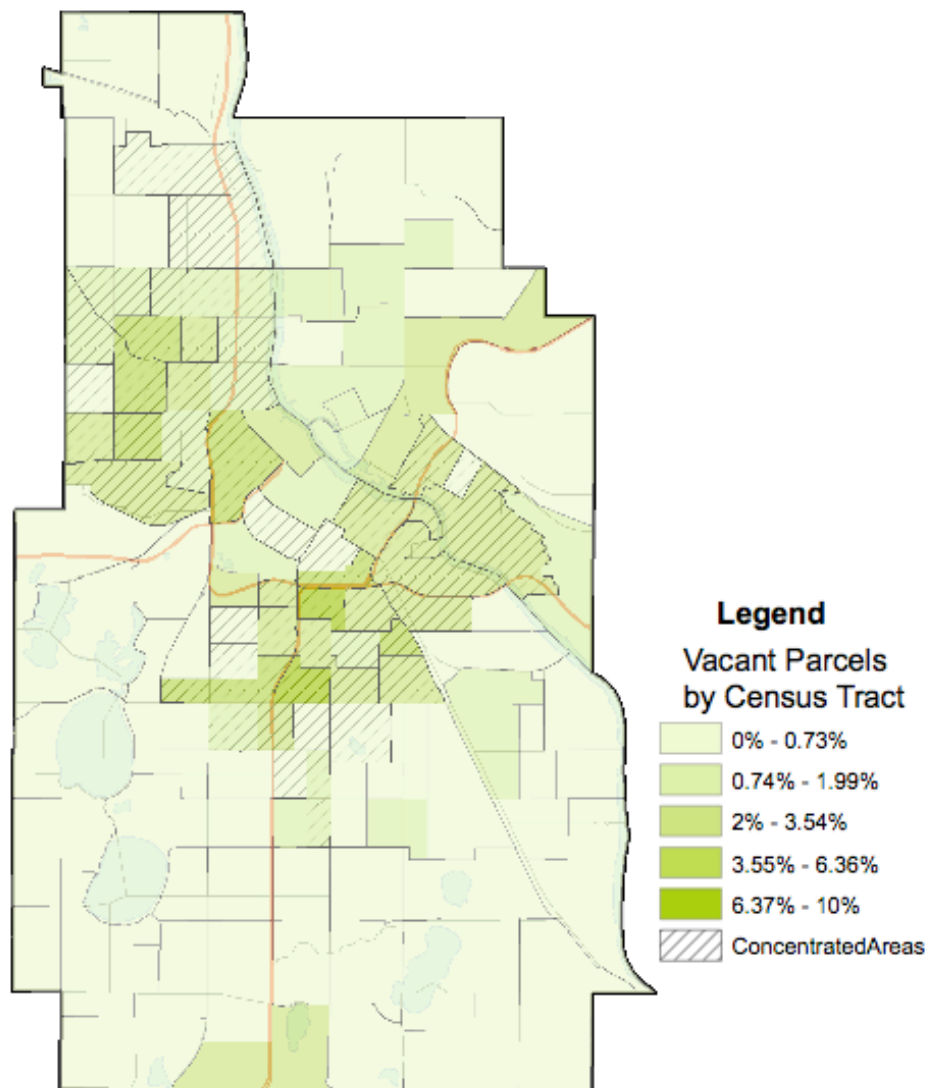
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Top Scoring Vacant Parcels as Percentage of Total Parcels in Census Tract Minneapolis 2007



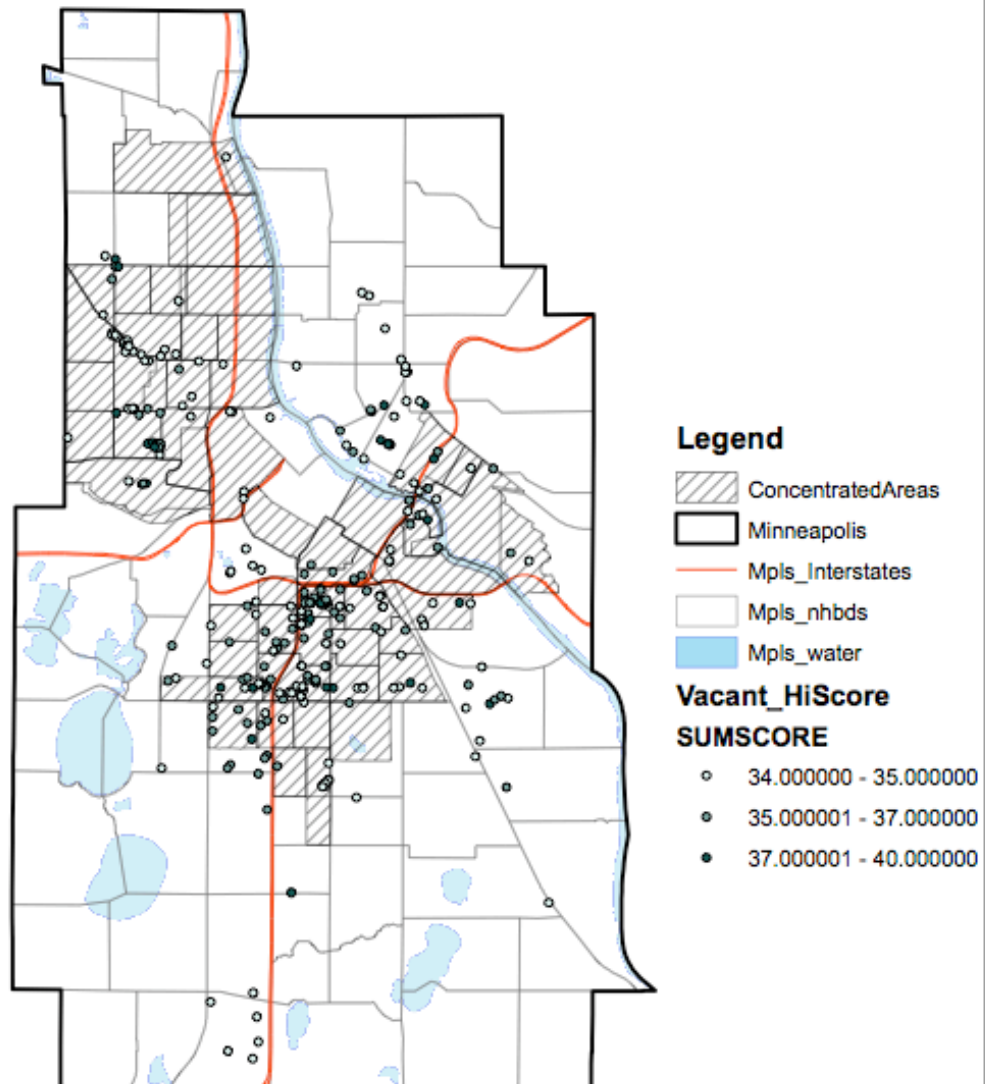
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Parcels Meeting Following Criteria:
Vacant land use
Score of 34 or higher



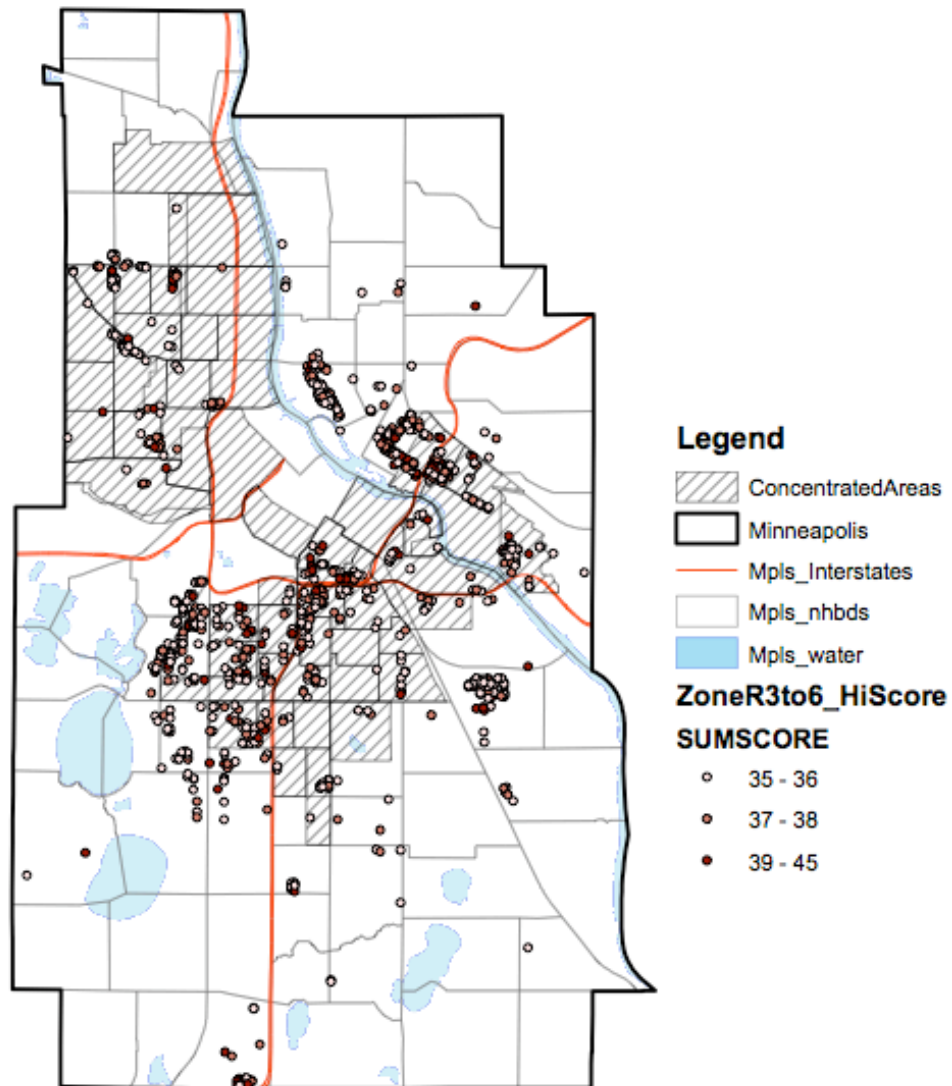
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Parcels Meeting Following Criteria:
Zoned "R3", "R4", "R5", "R6"
Score of 35 or higher



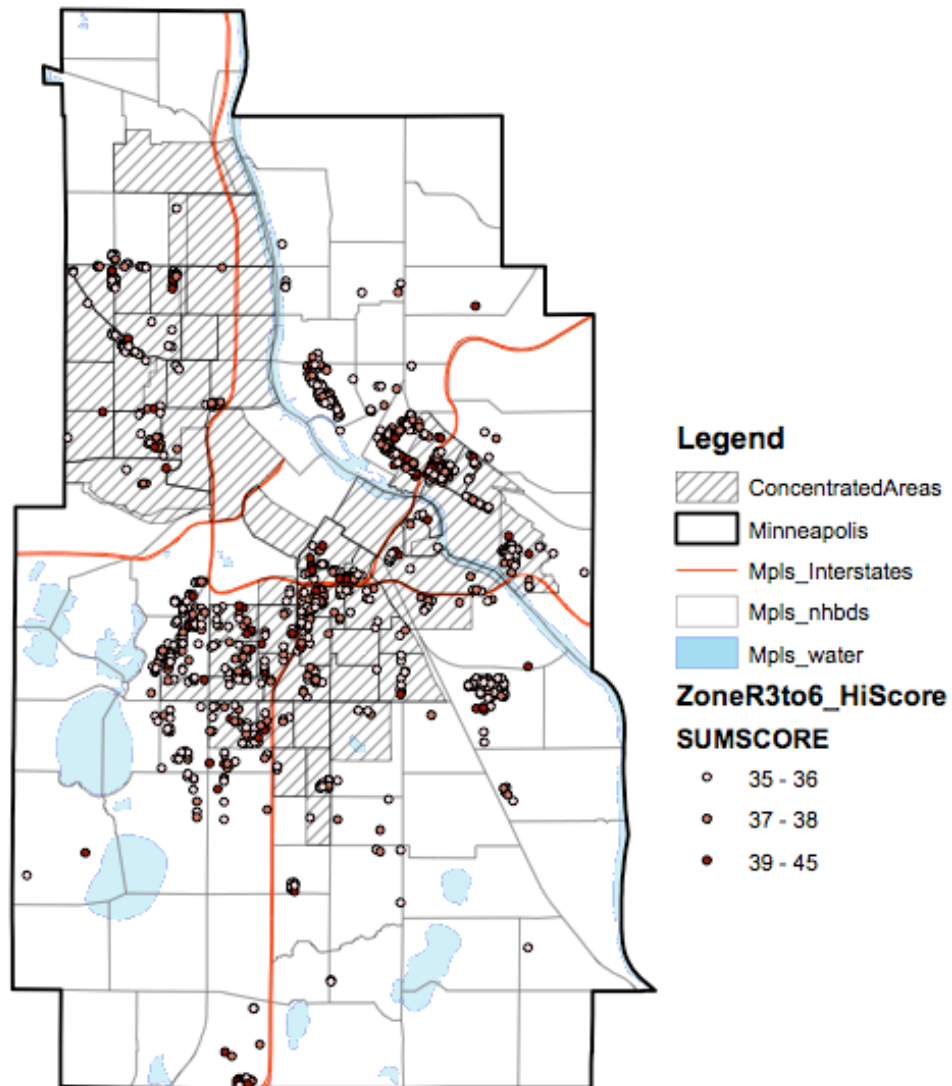
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Parcels Meeting Following Criteria:
 Zoned "R3", "R4", "R5", "R6"
 Score of 35 or higher



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